

VZCZCXRO9614
PP RUEHROV
DE RUEHKH #2000 2360958
ZNR UUUUU ZZH
P 240958Z AUG 06
FM AMEMBASSY KHARTOUM
TO RUEHC/SECSTATE WASHDC PRIORITY 4263
INFO RUCNIAD/IGAD COLLECTIVE

UNCLAS KHARTOUM 002000

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E.O. 12958: N/A
TAGS: [EINV](#) [ECON](#) [SOCI](#) [SU](#)
SUBJECT: Juba Investment Fair: A Litany of Woes

Ref: Khartoum 00721

11. (SBU) SUMMARY: Recent attempts at a Southern Sudan trade fair in Juba failed to display the region as an attractive place for doing business, highlighting the South's low capacity, lack of a proper regulatory environment, and possibility for corruption. The INGO Bread of Life Africa (BOLA), run by an American living in Kenya, organized the Southern Sudan International Trade Fair and Reconstruction Exhibition at Juba University from August 10-12. This is the third trade fair that BOLA has put on and the first in Southern Sudan. The two previous fairs, held in Kenya in May 2005 and March 2006, also attracted much initial interest, but were handicapped by poor organization (reftel). End Summary.

12. (SBU) Don Reid, the American who founded BOLA, met with the Acting Consul General (A/CG) after the fair and described a series of problems that were representative of the environment in Southern. The most serious problem was with the tent camp that Mr. Reid had hired to provide food and accommodations. A new camp, it only had 49 of the promised 100 tents, served food Mr. Reid found inedible, and was submerged under several inches of mud and water. After the event, the camp owners, affiliated with the SPLA, demanded payment in full of the originally contracted price and physically detained Mr. Reid at the airport, demanding he give them all of the USD 12,000 they were owed in cash before departing. Because of the rudimentary banking system in Southern Sudan, it took nearly a week to have that cash delivered, and Reid told the A/CG that he feared for his safety because the camp owners had threatened him and were getting impatient. A/CG subsequently spoke with Ministry of Commerce officials, who agreed to provide police officers to provide for Reid's safety until the money arrived.

13. (SBU) Mr. Reid said that the Ministry of Commerce had been helpful throughout these ordeals, and had waived its normal 2 percent fee for investment conferences. He did, however, say that he had been the victim of a shakedown from the Southern Sudan Chamber of Commerce. After repeated attempts to get in touch with the Chamber, Reid said he finally met with them the day before the event. In that meeting, they demanded a USD 10,000 fee for helping promote the event, and said they would close down the conference if he did not pay.

14. (SBU) After Mr. Reid departed, the Chamber of Commerce officials requested a meeting with the A/CG and explained that they had tried to get in touch with Reid repeatedly and were unable to until just before the event. They said the USD 10,000 fee was a standard and legitimate fee for conferences, and that in exchange they provided radio and television spots and worked to attract members of the local business community. They lamented that because Reid did not work with them until the last minute, they were unable to get a good turnout from local businesses. They also commented that it was too soon for an investment conference in Juba and they were afraid they scared away more business than they attracted. Both the Chamber of Commerce and some UN officials also accused Reid of corruption, saying he was pocketing thousands of dollars from the high conference fees. Reid admitted he had inadvertently hired some dishonest people for his Southern Sudanese staff.

15. (SBU) The A/CG commented to both the Ministry of Commerce and the Chamber of Commerce that Southern Sudan must establish rule of law over rule by force, and it must establish a clear regulatory framework for businesses. Until that time, most of the investors they are likely to attract are either small companies with little ability to deliver, or criminals looking to exploit the south. Solid, legitimate businesses may show patience for a lack of capacity, but will quickly pull out if they are threatened by armed men who act with impunity, are forced to pay surprise "fees" to different groups, and are required to employ family members of influential people. The A/CG warned that if this situation is not resolved by the time U.S. sanctions are lifted, it is likely many American businesses would quickly move in, and then quickly move out, never to return.

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